

CONTACTS:

Janessa Rivera  
Gartner  
+ 1 408 468 8312  
[janessa.rivera@gartner.com](mailto:janessa.rivera@gartner.com)

Robert van der Meulen  
Gartner  
+ 44 (0) 1784 267 738  
[rob.vandermeulen@gartner.com](mailto:rob.vandermeulen@gartner.com)

**Gartner Says Digital Payment Advisors Will Transform the Payment Landscape**  
***The Use of DPA Applications Will Challenge Traditional Business Models and Approaches***

STAMFORD, Conn., 29 May, 2013 — The development of digital payment advisor (DPA) applications residing on customer smartphones and mobile devices has the potential to fundamentally change the way many customers approach their choice of payment solution for higher-value purchase transactions, according to Gartner, Inc. Eventually, the impact of DPAs may stretch far beyond the immediate constraints of the payment market.

"By encouraging the use of alternate currencies — loyalty points and social currencies — for purchases of day-to-day products and services, DPAs may start to alter the very subtle psychological balance in place when customers make purchases using cash and payment cards," said Alistair Newton, research vice president at Gartner. "Spending hard-earned money can feel very different to consumers, compared with spending loyalty points that may have been allocated freely by retailers or airlines. Such shifts will bring significant changes to the entire retail purchase experience and the associated payment value chain."

The use of DPAs will also be one of the key indicators of the shift in power from banks and payment card issuers to their customers. Their use will bring greater transparency to the payment markets and drive significant change in the way consumers select their payment providers, especially for higher-value transactions, where the cost or benefits to the consumer may vary significantly depending on what payment solution the customer chooses to use. They will also start to impact the actual form of currency used to settle many payments.

Gartner does not, however, foresee customers using DPAs for every single payment application. Many of these applications will offer actionable and useful advice as to when their use will benefit the customers, meaning that DPAs will initially be used mainly for higher-value transactions. It's unlikely that most customers will be willing to pay sustainable fees for such a service. As a result, to become economically sustainable, DPA applications will change quickly.

"DPA applications will not initially be offered directly by mainstream banks or payment card companies, because by their nature they require brand independence to function effectively and deliver perceived independent advice to customers," said Mr Newton. "However, a longer-term opportunity may emerge for financial services institutions (FSIs) that wish to establish a role in the management, exchange and disbursement of loyalty points and social currencies for their customers. In such cases, FSIs that wish to offer the DPAs may need to establish an independently branded solution — such as some of the insurance price comparison sites, which are in fact owned by insurance companies — to ensure that customers regard any advice offered as being independent and accurate."

The use of smartphones to analyse and integrate historical transactional data with real-time location and contextual data places the power of informed decision making in the hands of customers. By offering the customer a clear indicator of the most cost-effective — or profitable, when aspects such as potential

loyalty rewards or "cash back" options are factored in — payment application to use for a particular transaction, digital payment advisors can cut through many of the marketing and pricing issues that plague today's payment market.

"Banks and financial services companies cannot ignore the advent of digital payment advisors," said Mr Newton. "They must adapt their strategies to recognise the impact that the open availability of such information and advice will have on the payment market. Equally, retailers need to monitor the impact of DPAs on the purchase value chain that their customers will engage in."

More detailed analysis is available in the report "Future of Money: Digital Payment Advisors Will Transform the Payment Landscape." The report is available on Gartner's web site at <http://www.gartner.com/resId=2422915>.

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